

Strategic Planning That Works!

By William W. Scherkenbach

William Scherkenbach is internationally recognized as one of the world's foremost authorities on the subject of quality and its implementation. Theory without action is useless. Action without theory is costly. Bill has the rare combination of both state-of-the-art theory and the experience of applying it in the real world.

He was in the very privileged position of learning from and working with Dr. W. Edwards Deming in the last 25 years of his life. He was with him on over 1000 meetings, including at least 50 four-day seminars, with leaders of industry and government all over the world.

"He was my student, and there's none better in the world... It takes a little ingredient called profound knowledge, and he's got it."

W. Edwards Deming

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Introduction

For a number of years, Strategic Planning has carried much the same baggage that Quality has carried. When packed, they were too heavy to take on the trip. So management usually opted for the lighter versions. Two-day off-sites to do the Strategic Plan, three-day SPC classes for the troops. (More than likely, they paid for the full pack, but only took the empty suitcases for show, or delegated someone else to carry the load.)

Do you do SPC? You betchya. Look it's right here, see it? Do you do Strategic Planning? You betchya. Look it's right here, see it?

I know it sounds a bit unfair, because there are plenty of CEOs who do carry the load. But there are far more who think they are but are not. But then how could they know? They have been successful.

Dr. Deming was fond of quoting Bill Ouchi in his observation that after WWII, one could have used any management theory and it would have been thought successful.¹ Prosperity abounded in the US. I think it is déjà vu all over again. Almost any theory will give good results in the narrow window of time and space that we look for results.

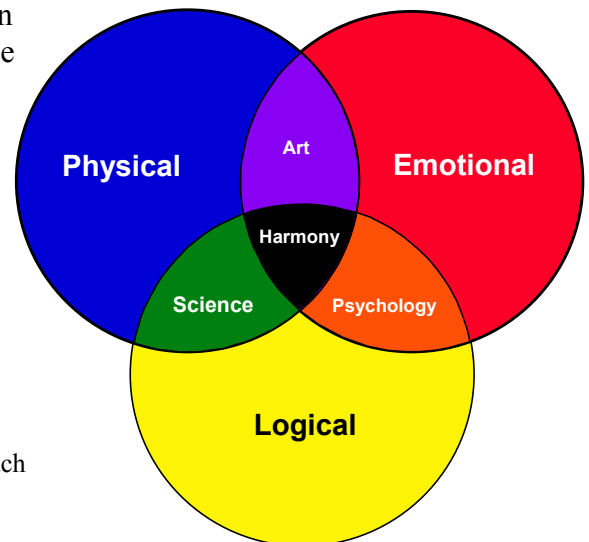
Its Superstitious Learning revisited. Top managers continually confuse success with success. They need to ask themselves how much better could it have been if they had done things differently. I am going to talk about doing things different. I can only scratch the surface on doing things different in this paper, but as they say, "In order to go fast, I gotta go slow."

- I must first **review** some perspectives, or theories to give you a better foundation for seeing, understanding, and committing to my Constancy of Purpose Process.² Constancy of Purpose Process? I thought we were talking about Strategic Planning. Trust me, it's in there.
- I will then take you through the **flow chart** covering the seven steps of my Constancy of Purpose Process.
- And finally, I will delve into some of the **key details** of the process.

Review

Throughout history, whether it has been scientific change, religious change, political change, societal change, or even individual change, major change has occurred in three modes: Physical, Logical, and Emotional. Different people and cultures have used different words for the modes but the underlying concepts are the same.

This is my framework for change. I am using a Venn diagram to convey that the primary frequencies can be blended and that there is no hierarchy among them. The intersection of



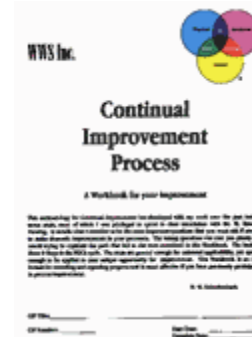
¹ William Ouchi, The M-Form Society, Wiley Books, NY

² William Scherkenbach, Breakthrough Performance CD-ROM, 1998

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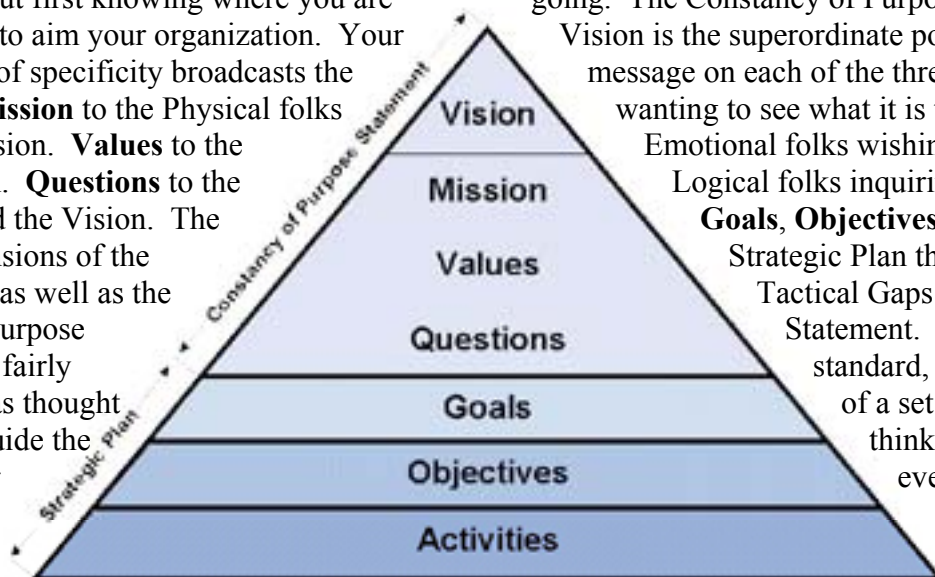
Physical and Emotional is Art. All Art is an emotional interpretation of Sensory input. Science is the Logical explanation of Physical phenomena. Psychology goes to its root, Logic of the Soul. The center region is non-additive. Eastern philosophies would call it Harmony, while Western philosophies might refer to it as “Peak Experiences”. This model for change is critical to getting anything done. Remember, the only reason you are doing Strategic Planning is to take Strategic Action.

My approach to helping others improve is marked by two pillars of quality: Constancy of Purpose and Continual Improvement. They happen to be two of Dr. Deming’s 14 Points and a philosophical dilemma for centuries. Do you want things to stay the same? Or do you want things to change, improve? I have developed two Workbooks to help my clients through these major processes.



Each of the Workbooks carefully helps you to communicate on each of the primary frequencies: Physical, Logical, and Emotional. The essence of Constancy of Purpose is “Quality is made at the Top”. The essence of Continual Improvement is “Quality is made up Front”.

A few years ago, I usually opted to work with whatever structure that had evolved over the years at a client organization. Now, I opt for the one that works... this one. You cannot talk about Strategic Planning without first knowing where you are going. The Constancy of Purpose Process will show you how to aim your organization. Your Vision is the superordinate point of your aim. The next level of specificity broadcasts the message on each of the three primary frequencies. **Mission** to the Physical folks wanting to see what it is that they should do to reach the Vision. **Values** to the Emotional folks wishing to feel congruent with the Vision. **Questions** to the Logical folks inquiring about the thinking behind the Vision. The **Goals, Objectives, and Activities** Strategic Plan that close the Tactical Gaps indicated in the Statement. Mission statements are standard, but hardly any organization has thought of a set of superordinate Questions to guide the thinking of their people as they do their everyday jobs.

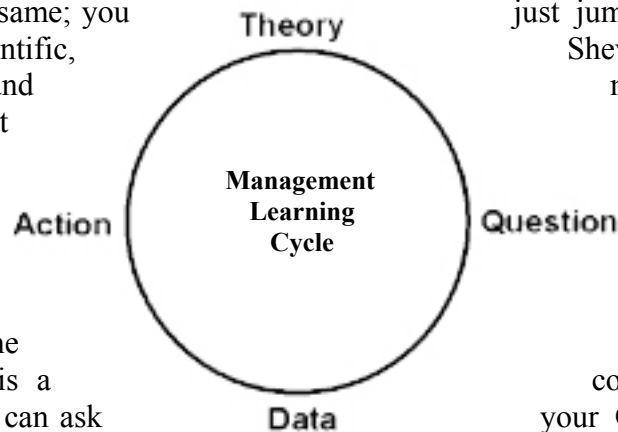


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Most folks have no problem thinking Strategic as covering large space and long time while Tactical covers small space and short time. But Strategic can cover large space and short time when the world changes overnight through Political, Economic, Scientific, or Natural upheavals. Your organization will not survive if you do not treat those changes as Strategic. Likewise, Strategic can include small space and long time when you foresee the need in ten years for a different skill and knowledge mix of your people. The new mix won't happen if you do not treat what you predict as Strategic.

		Strategic				
Time Space		< 1 Year	1 Year	- 3 Years	- 5 Years	- 10 Years
Company Wide					Mission Values Questions	Vision
Executive Level				Goals	Goals	
Team Level			Objectives	Objectives		
Individual Level		Activities	Activities			

Deming said that management is prediction. Let's look at the logical side of prediction. (There are Physical and Emotional sides as well, but we won't cover them here.) Whether you are a Pragmatist or a Rationalist, the wheel is the same; you just jump on at different places. I derived this from the Scientific, Shewhart, and Deming Cycles management terms. In this and put it in learning and day and age, much of what we think we know and in fact, have applied in this world is the result of millions of trips around these Cycles. But there are untold numbers of synaptic connections or theories or ideas that have not been thought of yet, much less gone around the cycle even once. Humor me though, and let's start the cycle with Theory. It all starts with **Theory** which is a connection of concepts in your mind. Given a Theory, you can ask your **Questions**. Questions beget answers, **Data** if you will. And the only reason you are collecting Data is to take **Action**. Theory without Action is useless, while Action without Theory is reactive, dangerous and costly.



We have now reviewed enough of the basic definitions to begin to explore the Constancy of Purpose (Strategic Planning) flow chart. So let's take a 50,000-foot view of my Strategic Planning Process by reviewing its flow chart.

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Flow Chart

First of all, Step 1 and Step 2 are on the same level. This means that I think that you could start with Step 1 or Step 2 without much difference. I made a command decision however, and called Step 1, Step 1.

Step 1 is a very introspective look at your life and others to help you identify your value system.

Step 2 is an outward look at what others think about where the market and customers are going to help you identify the aim of your organization.

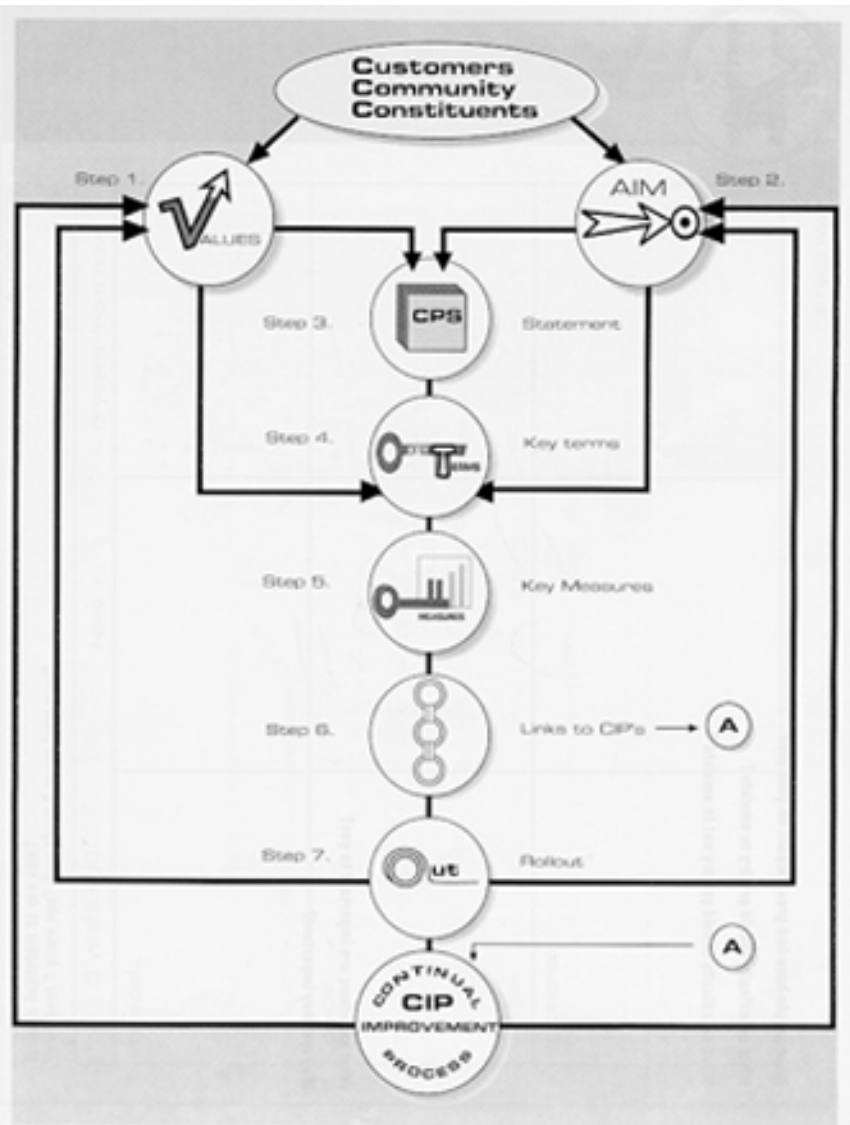
Step 3 flows from your answers to the questions in Steps 1&2. It is the writing of your Constancy of Purpose Statement.

The only reason that you are writing a CPS is to help your people to take action. One of the things that I learned from Phil Caldwell at Ford is that every word weighs a ton. But some tons weigh more than others.

Step 4 identifies those words that are particularly appealing because they evoke action from their various constituencies.

Step 5's Key Measures come from the Key Terms. I am not an advocate of the "If you can't measure it, you can't manage it" school of thought. But many things can and should be measured whether qualitatively or quantitatively.

When you have identified the measures, you can proceed to my other major process, the Continual Improvement Process linked by **Step 6**. Plan-Do-Study-Act applies to Strategic as well as Tactical improvement.



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Step 7 is a rollout that is far more than a one-time event. It should commit at least two years of resources in your Strategic window.

Key Details

This Constancy of Purpose Process was developed over the past twenty-seven years, during which I was privileged to work in close association with Dr. W. Edwards Deming. It details what I consider to be the important questions that you must ask when you establish an aim for your organization and then a Strategic Plan to accomplish that aim. Without an Aim or Vision, improvement efforts will only add to the confusion and the cost. Aristotle said that you can change things only if they lie steady under your hand. This CPP Workbook provides that “eye in the hurricane” of your world. To get the most lasting benefit from this Workbook, it should take about six months for you and your leadership team to complete it. The time you spend on this with the assistance of someone with Profound Knowledge, will be the best investment you can make to improve your future competitiveness.

I will cover some of the key parts of the Workbook in this section. I give a two-day seminar on how to go through the whole process. If I went through the whole thing here, it would be a book, not a chapter.

Step 1: Values

What people have had great impact on your life? What specifically should you try to emulate? What specifically should you try not to emulate, and in fact avoid? My definition of great impact is outside the system on the good or bad side. Many people have an impact on your life, but only a few have had a great impact. They should readily pop into your mind. You should try to visualize their faces. Try to focus on the positive impacts. But don't stick your head in the sand with regard to the negative ones. Don't dwell on them though, because they have a tendency of happening.

What is important to you know? How about 5 years ago? How about 5 years from now? You should use the 9-celled worksheet that matrices the three time periods with Physical, Logical, and Emotional importance. Socrates said that the unexamined life was not worth living. If you haven't done this before, now is your chance. If you think through where you have been, where you are, and where you would like to be, you will have a better chance of getting there. No, it's not guaranteed, but it works.

Step 2: Aim

What was the original aim of your organization? Go back to the words of your founder. What was the underlying theory of management?

What have been the major jolts that have redefined your organization in the past? What might they be in the future? Change is asymmetric. The world changes and you either change or die. Organizational design spans from making everything so that it withstands any outside change to making everything agile so that when the world changes, you can quickly change too.

Think of a time in your life when you belonged to an organization that really made you proud. What specifically made you proud to belong to that organization? My criterion for proud is when you think of the organization, the hair on the back of your neck stands on end.

Step 3: Constancy of Purpose Statement

Using the answers to the preceding questions as a guide, write your Constancy of Purpose Statement. This statement should include Vision, Mission, Values, and Questions.

- The Vision is an idealized view of what your organization would like to be in the long-term.
- The Mission states what your organization does and who it does it for.
- The Values are an emotional dimensioning that guide your organization's actions and inactions.
- The Questions are a logical dimensioning of how your organization must approach the Vision.

Each member of the Executive Team should draft a CPS.

Each member of the Executive Team should then post and present their draft CPS to the ET. If the ET agrees that one of the drafts is “outside the system on the high side”, then that is the organization's CPS.

If not, appoint one member of the team to take all of the input and write the CPS.

Once it is written, keep it visible as you hold your executive meetings. Test it with every decision and question and action that you take. Get comfortable with it. You do not want to publish or rollout a CPS that might have to change because you had not really internalized it or you had not spent the time needed to speak with one voice.

Step 4: Key Terms

Most executive teams would consider their job done with the drafting of the CPS. But remember, the only reason you are developing the CPS is for your people to take action. You can help them take action by identifying terms in the CPS that will help people receiving on Physical, Logical, and Emotional frequencies.

- Some words are key because they are ambiguous. Their logical definition will be very helpful to people who need to understand before they take action.
- Some words are key because they have energy. If you argued or had interesting discussions over some of the words, highlight them and convey the intent and feelings to your people.
- Some words are key because they are measurable. Whether qualitative or quantitative, they will help people who need to see where they are to take action.

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Step 5: Key Measures

One of the questions that I get asked a lot is “What should I measure?” My answer is “What are your questions?” Remember, data come from questions; questions come from theory; and the only reason you are collecting data is to take action.

The worksheet is fairly self-explanatory. Write down the terms in your CPS that you consider key because they might be measurable. What are the questions that they generate? What would you like to know about the terms? What might be the dimensions of the answers? There may be more than one measurement for each key term. Is there a formula for the measure? What are the units of measure?

What direction do the measures take: higher-the-better, lower-the-better, or target-the-best?

How are these measures interrelated with each other? Are they positively related such that when one measure improves the other one improves? Are they negatively related such that when one measure improves the other one deteriorates? Is there no relationship?

CPS Key Terms	Key Questions	Measurement	Direction	
Superior Quality and Value	From the medical perspective and from the patient's viewpoint, what is the quality of our service?	Clinical Outcomes	↑	<p>+ Positive relationship - Negative relationship 0 No relationship</p>
		\$/Adj. Disch.	↓	
		Patient Satisfaction	↑	
		Payer Satisfaction	↑	
Efficient Operations	How can we be a preferred provider from the payer's point of view?	Payer Renewal	↑	
		Employee Retention	↑	
		# Procedures	↓	
		Care Mapping	↑	
Physician Partners	What can we do to help our Physicians prefer our services?	Use Rates/MD	↑	
		\$/Amb. visit	↑	
		\$/Adj. Disch.	↑	
		Outpatient/Zip	↑	
Regional, Serving others	How do we know that we are the preferred provider in our region?	Share/Zip	↑	
		\$ Invested	↑	

MEASURES

MEASURES 5B

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Step 6: Link to CIPs

Now that you have identified some key measures, you must identify their Gaps. This, in fact, is the first step in the Continual Improvement Process. You have identified the direction that a measure must move to be more desirable to the customer. (Higher-the-better, Lower-the-better, and Target-the-best) Now you must set the Goal of where it should be. The Gap or opportunity for improvement is dimensioned by comparing the Goal with where you actually are. The first step in the CIP is to develop a Plan to close the Gap. You then proceed around the Plan-Do-Study-Act Cycle to improve the process.

You also should “cross-check” the measures you identified by answering these two questions:

What processes might be inhibitors to you living your CPS?

What processes might actually help you live your CPS?

Step 7: CPS Rollout

You should have more than just the paper that the CPS was printed on to reach everyone in your organization. Your plan for change should include many activities that appeal to Physical, Logical, and Emotional people. You must be careful to balance the need to be important as an individual and as a member of a team. The CPS comes from the leadership. It highlights a few key things in which everyone in the organization should be consistent. If you are a member of this family, you will live by the CPS. There are many other things that you do that will give you the flexibility to be important as an individual.

It is important that your people get an opportunity to internalize and then discuss what the CPS means to them; just as you did. This can be done in large or small meetings. Large meetings can be more efficient and just as personal as small ones if they are professionally facilitated. If this is the first time that you people perceive that you are willing to listen to them, the meeting might turn into a catharsis that must be carefully managed to end on a positive note. You must show that you are real people and will live this CPS and hope everyone in the organization will come to that same conclusion as you did.

Build on the strengths of your organization. Do not use an approach just because it is in someone's cookbook on how to roll out a culture change. Having said that, I think that you should design a rollout that quickly gets the word out in a variety of ways. Be prepared to have your bluff called. You will raise expectations of change that you should be prepared to back up with action. This means that you should have in your Strategic Plan the resources to fund training, education, and counseling, numerous CIPs on major inhibiting and enabling processes, numerous CIPs on other processes. Try to focus communications on key people in your Physical, Logical and Emotional Chain-of-Command. Be prepared to talk about the next 2 years of activities which should include specific opportunities for the Physical, Logical, and Emotional improvement of everyone in the organization.

Just Do It

If you are interested in strategic action, then you need to take the time to do it right. Check out my website at www.scherkenbach.com to view the agenda for my two-day seminar on Strategic Planning.